

Message Text

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ACTION EUR-08

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TO SECSTATE WASHDC IMMEDIATE 5720
INFO AMEMBASSY BRUSSELS

C O N F I D E N T I A L SECTION 1 OF 2 COPENHAGEN 0276

LIMDIS

USEEC

EO 11652: GDS
TAGS: EEC
SUBJ: PERMANENT UNDER SECRETARY ERSBOLL COMMENTS ON JANUARY 17
EC COUNCIL AGENDA

1. ON JANUARY 12 FOREIGN MINISTRY PERMANENT UNDER SECRETARY ERSBOLL BRIEFED THE AMBASSADOR ON THE EC COUNCIL AGENDA FOR JANUARY 17. ERSBOLL, WHO HEADS THE MINISTRY'S DEPARTMENT FOR FOREIGN ECONOMIC AFFAIRS AND WHO WILL ACCOMPANY FOREIGN MINISTER ANDERSEN TO THE COUNCIL MEETING, DISCUSSED LIKELY OUTCOMES OF THE VARIOUS AGENDA ITEMS AND FURNISHED BACKGROUND MATERIAL RELATED TO THEM.

2. MULTILATERAL TRADE NEGOTIATIONS
A. ERSBOLL SAID THAT THE MTN PRESENTATION TO THE COUNCIL IS STILL BEING FORMULATED. THE FRENCH, HE SAID, ARE CRUCIAL. GIVEN THEIR RELUCTANCE TO GO ALONG WITH A 40 PERCENT TARIFF REDUCTION, HE DOES NOT BELIEVE THAT COREPER CAN REACH AN AGREED POSITION. THE DANES, THEREFORE, ARE COUNTING ON THE COMMISSION, WHICH IS HOLDING TALKS WITH THE
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FRENCH IN PARIS ON JANUARY 12-13 TO TRY TO BRING THEM INTO LINE WITH THE OTHER EIGHT EC MEMBERS. DENMAN, ERSBOLL SAID, IS TRYING TO GET A CLEAR PICTURE OF WHAT THE FRENCH WILL DO, AND THE COMMISSION WILL TELL THE DANES ON JANUARY 13 WHAT THE PRESIDENCY MIGHT BE ABLE TO ACHIEVE ON JANUARY 17 IN THE COUNCIL. FOREIGN MINISTER ANDERSEN WILL ALSO CONSULT WITH HAFERKAMP ON

THIS SUBJECT IN BRUSSELS ON JANUARY 16, JUST PRIOR TO THE COUNCIL MEETING.

B. ERSBOLL NOTED THAT THE BRITISH NOW ACCEPT THE PROPOSED 40 PERCENT REDUCTION IN TARIFFS, ALTHOUGH ON A "GROSS BASIS" (I.E., WITH NO CONSIDERATION GIVEN TO EVENTUAL EXCEPTIONS).

C. ERSBOLL DID NOT ANTICIPATE DIFFICULTIES WITH OTHER PARTS OF THE COMMISSION'S MTN PACKAGE (E.G., EXCEPTIONS, AGRICULTURE, NON-TARIFF MEASURES) WHICH HE SAID THE U.S. HAD SEEN AND HAD AGREED WAS SUFFICIENT FOR OPENING MTN NEGOTIATIONS LATER THIS MONTH. ERSBOLL DID NOTE, HOWEVER, A CERTAIN PESSIMISM AMONG THE EC PARTNERS REGARDING PROGRESS ON AGRICULTURE.

3. CYPRUS

A. ACCORDING TO ERSBOLL, THE EC COMMISSION MADE TWO MISTAKES WITH RESPECT TO THE EC-CYPRUS AGREEMENT: (1) SENSITIVE TO ITALIAN AND FRENCH CONCERNS ABOUT AGRICULTURAL IMPORTS, IT ASKED FOR A MANDATE THAT DID NOT GO FAR ENOUGH; AND (2) IT SUGGESTED AUTONOMOUS APPLICATION OF THIS MANDATE BEFORE A NEW AGREEMENT WAS REACHED. THE UK AND DENMARK, HE SAID, RELUCTANTLY AGREED WITH OTHER EC MEMBERS TO PROCEED AS THE COMMISSION PROPOSED, BUT ANTICIPATED THAT CYPRUS, AS IT HAS, WOULD REACT BOTH STRONGLY AND NEGATIVELY.

B. IN THE FACE OF THIS CYPRUS REACTION, THE
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DANES ARE SEEKING TO PREVENT AN EC-CYPRUS CONFRONTATION. THEY HAVE JUST COUNSELED A VISITING CYPRIOT MINISTER NOT TO SEEK AN ASSOCIATION COUNCIL MEETING IN JANUARY AND TO GIVE THE DANES, WHO ESSENTIALLY AGREE WITH THE CYPRIOTS, TIME TO CONVINCE THEIR EC PARTNERS TO BE MORE FORTHCOMING.

C. ERSBOLL STATED THAT THE COMMISSION WILL PRESENT TO THE JANUARY EC COUNCIL MEETING A PROPOSAL FOR AN INTERIM ARRANGEMENT WHICH IS MORE FAVORABLE TO CYPRUS THAN THE ORIGINALLY PROPOSED AUTONOMOUS APPLICATION OF THE APPROVED MANDATE BUT SOMEWHAT LESS FAVORABLE THAN A TEMPORARY EXTENSION OF THE EXISTING AGREEMENT. IN FEBRUARY THE EC AND CYPRUS WILL MEET IN AN ASSOCIATION COUNCIL WHICH HOPEFULLY WILL CLEAR THE WAY FOR A NEW AGREEMENT BY APRIL "WHEN CYPRIOT AGRICULTURAL PRODUCTION IS READY FOR EXPORT." ERSBOLL OBSERVED THAT EC POLITICAL DIRECTORS' MEETING IN COPENHAGEN JANUARY 10-11 HAD GIVEN SUPPORT TO THE IDEA THAT THE EC NEEDS TO BE UNDERSTANDING AND GENEROUS WITH CYPRUS (COPENHAGEN 231).

4. SPAIN - CONTRARY TO EXPECTATIONS, SPAIN WILL

NOT BE ON THE JANUARY 17 AGENDA. ERSBOLL SAID THE REASON WAS THAT THE SPANIARDS HAD FAILED TO HOLD TALKS WITH THE EC.

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5. YUGOSLAVIA -

A. THE AMBASSADOR RECALLED A RECENT EMBASSY DEMARCHE WHICH URGED THE DANES AND OTHER EC MEMBERS TO TAKE STEPS THAT WOULD DIRECT YUGOSLAV TRADE BACK TO THE WEST. ERSBOLL STATED THAT DENMARK SUPPORTS THIS OBJECTIVE AND THAT FOREIGN MINISTER ANDERSEN WOULD TAKE A POSITIVE APPROACH IN THE JANUARY 17 COUNCIL MEETING.

B. ERSBOLL SAID THAT THE UPCOMING COUNCIL WILL DISCUSS THE CONTENT OF THE EC AGREEMENT WITH YUGOSLAVIA AND WILL SETTLE THE FEW REMAINING PROBLEMS. SAYING THAT YUGOSLAVIA WAS LIKELY TO AGREE TO THE COMMISSION'S PROPOSALS ON TRADE COOPERATION, HE SAW THE FOLLOWING AS MATTERS STILL TO BE DETERMINED:
(1) THE EXTENT TO WHICH THE YUGOSLAVS WILL HAVE ACCESS TO LOANS FROM THE EUROPEAN INVESTMENT BANK;
(2) INCLUSION OF A CLAUSE ON TRANSPORT THAT PERMITS MARITIME AS WELL AS LAND TRANSPORT TO BE DISCUSSED BY THE PARTIES TO THE AGREEMENT (ERSBOLL DESCRIBED THIS AS A DANISH INITIATIVE WHICH OTHER EC MEMBERS FROWN ON BECAUSE THE COMMISSION HERETOFORE HAS NOT BEEN INVOLVED TO ANY EXTENT IN MARITIME TRANSPORT MATTERS);
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AND (3) A TEXT ON SOCIAL COOPERATION; I.E., TREATMENT OF MIGRANT WORKERS. REGARDING THE LAST POINT, ERSBOLL SAID THE EC WOULD OFFER YUGOSLAVIA THE SAME TREATMENT GIVEN TO THE MAGHREB COUNTRIES, WHICH WAS ESSENTIALLY A DECLARATION OF NON-DISCRIMINATION.

6. STEEL

A. ERSBOLL SAID THAT THE JANUARY 17 COUNCIL MEETING WOULD APPROVE DAVIGNON'S FORMULATION FOR STEEL IMPORTS INTO THE EEC. FOR THOSE COUNTRIES WITH WHICH THE EC HAS STEEL AGREEMENTS (COVERS 90 PERCENT OF IMPORTS), IMPORTS WILL BE MAINTAINED AT A GUARANTEED PRICE (A REFERENCE PRICE MINUS A PERCENTAGE).

B. THE AMBASSADOR USED THE OPPORTUNITY TO NOTE THAT THE U.S. WAS CONCERNED ABOUT THE QUANTITATIVE ASPECTS OF THE EC'S THIRD COUNTRY AGREEMENTS AND BELIEVES THAT THE EC APPROACH IS MORE RESTRICTIVE THAN THAT OF THE U.S. ERSBOLL REPLIED THAT DAVIGNON HAD CONVINCED THE COUNCIL THAT HIS FORMULATION WAS NOT RESTRICTIVE BECAUSE (1) IT WOULD MAINTAIN "NORMAL TRADE", TAKING INTO ACCOUNT THAT DEMAND IN 1978 WOULD BE SOMEWHAT LESS THAN PREVIOUSLY AND (2) IT ALLOWED "MARKET PENETRATION"; I.E., EXPORTERS TO THE EC WOULD BE ALLOWED TO GO A CERTAIN PERCENTAGE BELOW THE REFERENCE PRICE WHEREAS DOMESTIC PRODUCERS WOULD NOT.

7. EUROPEAN PARLIAMENTARY ELECTIONS - THIS WILL APPEAR ON THE AGENDA AS A ROUTINE MATTER. THE UK WILL SIMPLY SAY THAT THEY DO NOT KNOW WHEN THEY WILL BE PREPARED TO HOLD SUCH ELECTIONS, AND THERE WILL BE NO SUBSEQUENT DISCUSSION "THAT COULD EMBARRASS THEM."

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